

## 2021-27 Six-Year Facilities Plan: Planning Assumptions

Major assumptions used in the development of the *2021-27 Six-Year Facilities Plan* include space and square footage, costs of leased facilities, and costs of state-owned facilities. These assumptions are outlined below.

### ASSUMPTIONS FOR SPACE AND SQUARE FEET

Projected square feet for new space, expansions or relocations was developed based on the number of workspaces needed multiplied by the square feet per user based on efficient space usage for buildings housing a similar number of workspaces by state agencies. The square feet assumption for renewals is that space will remain the same size.

### ASSUMPTIONS FOR COSTS OF LEASED FACILITIES

The Office of Financial Management's Facilities Oversight Program developed cost assumptions and a lease rate methodology to establish projected lease rates used in developing the plan. For planning and budgeting purposes, Facilities Oversight distinguished between two different types of proposed lease action: (1) leases for relocations or new office space and (2) lease renewals for office space.

Lease rate information was obtained from agency-reported data in FPMT as of June 30, 2020.

### PROJECTED LEASE RATES FOR RENEWALS

In establishing the lease rate methodology for lease renewals, Facilities Oversight reviewed existing leases and forecast indices. The review of existing leases included base lease rates, operating expenses, lease terms, and any lease rate step changes during the term of the lease. To estimate lease changes with a lease renewal in the plan, the team reviewed the existing lease rates against the current proposed market lease rates and applied the Seattle Consumer Price Index for All Urban Consumers (CPI-U), if applicable, taking into account the start year of the last step change and the start year of the proposed new lease. A standard five-year term was assumed unless a different term was indicated by the agency. The Seattle CPI-U used in the plan was updated as of November 2019 for planning and budgeting purposes tied to proposed lease renewals of office space. The CPI-U calculator is available upon request.

Projected rates of lease renewals for agencies using CPI-U are calculated as follows:

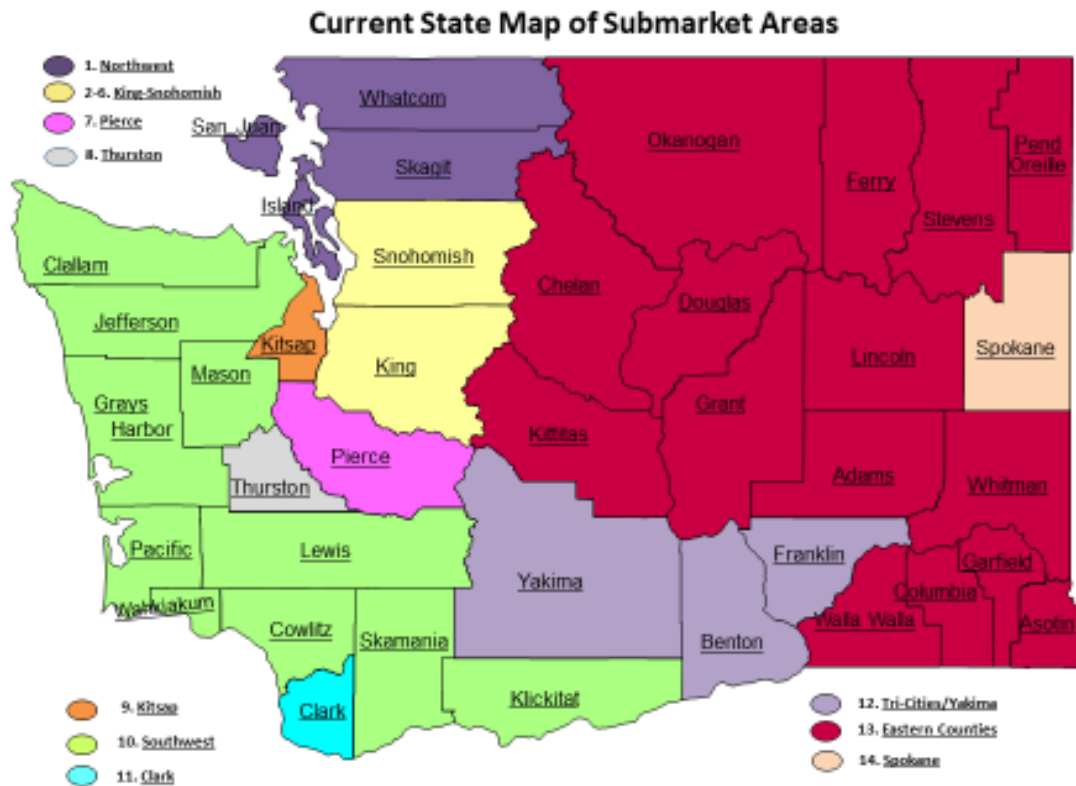
Monthly Lease Cost = Current Base Lease Rate plus Leased Office Operating Expenses multiplied by CPI-U

### PROJECTED LEASE RATES FOR RELOCATION PROJECTS AND NEW SPACE

In establishing the lease rate methodology for relocations or new office space, Facilities Oversight conducted real estate market analysis using data from three sources:

1. REIS, a purchased database subscriber service that tracks buildings of 10,000 square feet or greater in selected markets.
2. CoStar Group (CoStar), a source for commercial real estate information through a purchased database subscription to access statewide property listings.
3. Cost Library, an online facility cost tool from CBRE/Whitestone. Facility costs are generally updated annually. The most recent update in July 2019 is used for facility operation expenses in calendar year 2020.

For the current six-year facilities planning cycle, the state is divided into 14 submarket areas. A map of the 14 submarkets is below.



REIS produces quarterly reports providing six categories of full-service lease rates within each submarket area: Low, 25%, Mean, Median, 75%, and High.

CoStar produces listings with varying service rates. For consistency, all lease rates from CoStar are adjusted to full-service rates using the online facility cost tool from CBRE/Whitestone, as appropriate. Full-service rates include base rent plus operating expenses, such as energy, garbage, general building maintenance, janitorial services, management and leasing fees, sewer, water, and other applicable expenses. The CBRE/Whitestone operation cost index is based on the costs of a model two-story office building and uses seven regional indices for Washington (Anacortes, Olympia, Portland/Vancouver, Richland, Seattle, Spokane, and Tacoma). Refer to the operating expenses assumptions section for more details.

Within each market, six rates were established: low, 25% of market, mean, median, 75% of market, and high for the fourth quarter of calendar year 2019. Each market was further analyzed against recent state agency lease history. The proposed lease rate categories range from 25%, mean, median, 75%, and high. The appropriate rate category will depend on several factors including agency business needs, market condition, inventory level, location, and building condition. Details of recommended lease rates for 14 submarkets are in the table below.

The lease rate methodology reflects asking rent rates rather than negotiated rent rates at a specific point in time. The methodology does not consider past negotiated rates and does not include an escalation factor for future rates. High and low market rates are not generally representative of the building class of state leases.

Submarket Name	Submarket Boundary	Data Source	Recommended Lease Range
<b>1. Northwest</b>	Island, San Juan, Skagit, and Whatcom Counties	REIS	25% through High
<b>2. North Seattle/Snohomish</b>	North end of Seattle: Fremont/Ballard, U District, Green Lake, North Seattle. All communities within Snohomish County except Bothell	REIS	25% through 75%
<b>3. King-North</b>	Bothell, Kirkland, and Redmond	REIS	25% through 75%
<b>4. King-East</b>	Bellevue, Mercer Island, and Issaquah	REIS	25% through 75%
<b>5. Central Seattle</b>	Seattle CBD, Capitol Hill/Central District, Pioneer Square/Waterfront, Queen Anne/Magnolia, Lake Union, and the northern part of South Seattle area	REIS	25% through 75%
<b>6. King-South</b>	South end of Seattle, West Seattle, Auburn, Burien, Covington, Des Moines, Enumclaw, Federal Way, Kent, Maple Valley, Renton, SeaTac, and Tukwila	REIS	25% through High
<b>7. Pierce County</b>	All communities within Pierce County	REIS	25% through 75%
<b>8. Thurston County</b>	Lacey, Olympia and Tumwater	REIS	25% through High
<b>9. Kitsap County</b>	All communities within Kitsap County	REIS	25% through 75%
<b>10. Southwest</b>	Clallam, Cowlitz, Grays Harbor, Jefferson, Lewis, Mason, Pacific, Skamania, and Wahkiakum Counties	CoStar	25% through High
<b>11. Tri-Cities and Yakima</b>	Benton, Franklin and Yakima Counties	REIS	25% through 75%
<b>12. Eastern Counties</b>	Adams, Asotin, Chelan, Columbia, Douglas, Ferry, Garfield, Grant, Kittitas, Klickitat, Lincoln, Okanogan, Pend Oreille, Stevens, Walla Walla, and Whitman Counties	CoStar	25% through High
<b>13. Spokane County</b>	All communities within Spokane County	REIS	25% through 75%
<b>14. Clark County</b>	All communities within Clark County	REIS	25% through 75%

Submarket	25%	Mean	Median	75%	High
1. Northwest	\$15.52	\$16.03	\$20.03	\$26.97	\$31.27
2. North Seattle/Snohomish County	\$23.04	\$30.21	\$28.89	\$36.75	\$49.03
3. King-North	\$30.24	\$31.61	\$33.82	\$39.32	\$63.09
4. King-East	\$38.02	\$44.02	\$44.11	\$55.50	\$65.77
5. Central Seattle	\$38.62	\$43.94	\$48.74	\$54.56	\$66.58
6. King-South	\$23.06	\$25.64	\$25.00	\$28.06	\$47.55
7. Pierce County	\$18.99	\$21.65	\$24.13	\$27.22	\$38.57
8. Thurston County	\$15.91	\$17.02	\$20.07	\$23.97	\$27.68
9. Kitsap County	\$17.00	\$17.53	\$21.44	\$25.77	\$31.06
10. Southwest Counties	\$13.57	\$17.87	\$17.25	\$22.01	\$26.15
11. Tri-Cities and Yakima	\$14.98	\$16.57	\$16.00	\$23.54	\$32.74
12. Eastern Counties	\$19.51	\$21.50	\$22.53	\$23.92	\$30.00
13. Spokane County	\$15.00	\$17.77	\$16.80	\$21.86	\$28.20
14. Clark County	\$21.04	\$25.28	\$24.50	\$26.79	\$34.57

Current lease rates for relocations and new office space are calculated as follows:

$$\text{Monthly Lease Cost} = \text{Recommended Lease Rate multiplied by SF divided by 12}$$

Future lease rates (beyond pending biennium) for relocations and new office space are calculated as follows:

$$\text{Monthly Lease Cost} = \text{Recommended Lease Rate multiplied by SF divided by 12 and multiplied by CPI-U}$$

## ASSUMPTIONS FOR COSTS OF OWNED FACILITIES

### DEBT SERVICE COSTS FOR OWNED FACILITIES

Agencies with state-owned facilities in scope for this planning cycle were surveyed to provide debt service data. This information included annual debt service cost and the year the debt service ended. Debt service costs that ended during the Six-Year Facilities Plan were adjusted.

### OPERATING COST ASSUMPTIONS FOR OWNED FACILITIES

Owned operating costs were based on actual operating expenses reported from state agencies. In markets where there were no actuals reported, facility cost reference for 2019 from CBRE/Whitestone was used. The CBRE/Whitestone operation cost index is based on the costs of a model, two-story office building and uses seven regional indices for Washington. Seven regional indices were established for the 2019-21 biennium and then escalated in future biennia using the Seattle CPI-U. Refer to the operating expenses section for more details.

### ASSUMPTIONS FOR OPERATING EXPENSES

Operating expenses for office and laboratory facilities are generally based on the CBRE/Whitestone Facilities Operations Cost Index 2019/2020, using six local indices for Washington State and one local index for Oregon. Operating expenses for all cities in Washington State are linked to the seven local indexes: Anacortes, Olympia, Portland/Vancouver, Richland, Seattle, Spokane, and Tacoma. The service categories selected in the CBRE/Whitestone Facilities Operations Cost Index 2019/2020 are: custodial, energy, grounds, maintenance and repair, management, pest control, refuse, road clearance, security, telecom, and water and sewer. Service level for each service category is varied from high to medium and low. Exceptions were granted for agencies where assumptions were based on data provided by the agency. Additional details are available upon request. The table below identifies details of seven local indices compared to the Washington D.C. standardized costs.

### OPERATING EXPENSES FOR LEASED OFFICE FACILITIES

The local operation cost profile is based on the costs of a two-story office building model standardized to seven local indices. The telecom category is excluded from the operating expenses for leased office facilities because these costs are paid outside of the lease by the state. The service level for each of the service categories is varied between medium and low.

2020 Operating Expenses for Leased Office Facilities								
SERVICE CATEGORY	SERVICE LEVEL	ANACORTES	OLYMPIA	PORTLAND	RICHLAND	SEATTLE	SPOKANE	TACOMA
Custodial	Medium	\$1.29	\$1.27	\$1.31	\$1.24	\$1.34	\$1.26	\$1.28
Energy	Low	\$1.03	\$1.04	\$0.79	\$1.10	\$0.90	\$0.86	\$0.94
Refuse	Medium	\$0.10	\$0.17	\$0.15	\$0.07	\$0.20	\$0.14	\$0.13
Water/Sewer	Medium	\$0.28	\$0.42	\$0.95	\$0.18	\$1.27	\$0.19	\$0.40
Grounds	Low	\$0.06	\$0.05	\$0.06	\$0.05	\$0.07	\$0.05	\$0.07
Maintenance and Repair	N/A	\$5.04	\$5.06	\$5.28	\$5.40	\$5.60	\$4.71	\$5.38
Management	Low	\$0.41	\$0.41	\$0.50	\$0.41	\$0.56	\$0.45	\$0.50
Pest Control	Low	\$0.08	\$0.09	\$0.09	\$0.09	\$0.10	\$0.09	\$0.10
Road Clearance	Medium	\$0.04	\$0.10	\$0.06	\$0.13	\$0.09	\$0.13	\$0.08
Security	Low	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08
<b>Total Op.Exp/Modified gross leases</b>		<b>\$2.70</b>	<b>\$2.90</b>	<b>\$3.20</b>	<b>\$2.59</b>	<b>\$3.71</b>	<b>\$2.45</b>	<b>\$2.75</b>
<b>Total Op.Exp/Full-Service Leases</b>		<b>\$8.41</b>	<b>\$8.69</b>	<b>\$9.27</b>	<b>\$8.75</b>	<b>\$10.21</b>	<b>\$7.96</b>	<b>\$8.96</b>

## OPERATING EXPENSES FOR OWNED OFFICE FACILITIES

The local operation cost profile is also based on the costs of a two-story office building model standardized to seven local indices. However, the management, security, and telecom categories are excluded from the operating expenses for owned office facilities. Service levels for each of the service categories are the same as leased office facilities.

2020 Operating Expenses for Owned Office Facilities								
SERVICE CATEGORY	SERVICE LEVEL	ANACORTES	OLYMPIA	PORTLAND	RICHLAND	SEATTLE	SPOKANE	TACOMA
Custodial	Medium	\$1.29	\$1.27	\$1.31	\$1.24	\$1.34	\$1.26	\$1.28
Energy	Low	\$1.03	\$1.04	\$0.79	\$1.10	\$0.90	\$0.86	\$0.94
Refuse	Medium	\$0.10	\$0.17	\$0.15	\$0.07	\$0.20	\$0.14	\$0.13
Water/Sewer	Medium	\$0.28	\$0.42	\$0.95	\$0.18	\$1.27	\$0.19	\$0.40
Grounds	Low	\$0.06	\$0.05	\$0.06	\$0.05	\$0.07	\$0.05	\$0.07
Maintenance and Repair	N/A	\$5.04	\$5.06	\$5.28	\$5.40	\$5.60	\$4.71	\$5.38
Pest Control	Low	\$0.08	\$0.09	\$0.09	\$0.09	\$0.10	\$0.09	\$0.10
Road Clearance	Medium	\$0.04	\$0.10	\$0.06	\$0.13	\$0.09	\$0.13	\$0.08
<b>Total Op.Exp/Modified gross leases</b>		<b>\$2.70</b>	<b>\$2.90</b>	<b>\$3.20</b>	<b>\$2.59</b>	<b>\$3.71</b>	<b>\$2.45</b>	<b>\$2.75</b>
<b>Total Op.Exp/Full-Service Leases</b>		<b>\$7.92</b>	<b>\$8.20</b>	<b>\$8.69</b>	<b>\$8.26</b>	<b>\$9.57</b>	<b>\$7.43</b>	<b>\$8.38</b>

## OPERATING EXPENSES FOR LEASED GENERAL LABORATORY

The operation cost profile is based on the costs of a general laboratory standardized to seven local indices. The telecom category is excluded from the operating expenses for leased general laboratory facilities. The service level for each of the service categories is varied between medium and low.

2020 Operating Expenses for Leased General Laboratory Facilities								
SERVICE CATEGORY	SERVICE LEVEL	ANACORTES	OLYMPIA	PORTLAND	RICHLAND	SEATTLE	SPOKANE	TACOMA
Custodial	Medium	\$1.29	\$1.27	\$1.31	\$1.24	\$1.35	\$1.26	\$1.28
Energy	Medium	\$4.10	\$4.15	\$3.16	\$4.38	\$3.58	\$3.41	\$3.74
Refuse	Medium	\$0.10	\$0.17	\$0.15	\$0.07	\$0.20	\$0.14	\$0.13
Water/Sewer	Medium	\$0.34	\$0.51	\$1.16	\$0.22	\$1.55	\$0.23	\$0.49
Grounds	Low	\$0.06	\$0.05	\$0.06	\$0.05	\$0.07	\$0.05	\$0.07
Maintenance and Repair	N/A	\$5.04	\$5.06	\$5.28	\$5.40	\$5.60	\$4.71	\$5.38
Management	Low	\$0.71	\$0.71	\$0.86	\$0.71	\$0.97	\$0.77	\$0.85
Pest Control	Low	\$0.08	\$0.09	\$0.09	\$0.09	\$0.10	\$0.09	\$0.10
Road Clearance	Medium	\$0.04	\$0.10	\$0.06	\$0.13	\$0.09	\$0.13	\$0.08
Security	Low	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
<b>Total Op.Exp/Modified gross leases</b>		<b>\$5.83</b>	<b>\$6.10</b>	<b>\$5.78</b>	<b>\$5.91</b>	<b>\$6.68</b>	<b>\$5.04</b>	<b>\$5.64</b>
<b>Total Op.Exp/Full-Service Leases</b>		<b>\$11.86</b>	<b>\$12.21</b>	<b>\$12.23</b>	<b>\$12.39</b>	<b>\$13.61</b>	<b>\$10.89</b>	<b>\$12.22</b>